Understanding Axes



Theme 4: What Is Taxed and Why





Theme 4: What Is Taxed and Why

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- Laurence J. Peter



The U.S. Constitution Divides Government Powers



Federal Responsibilities

State Responsibilities

Local Responsibilities

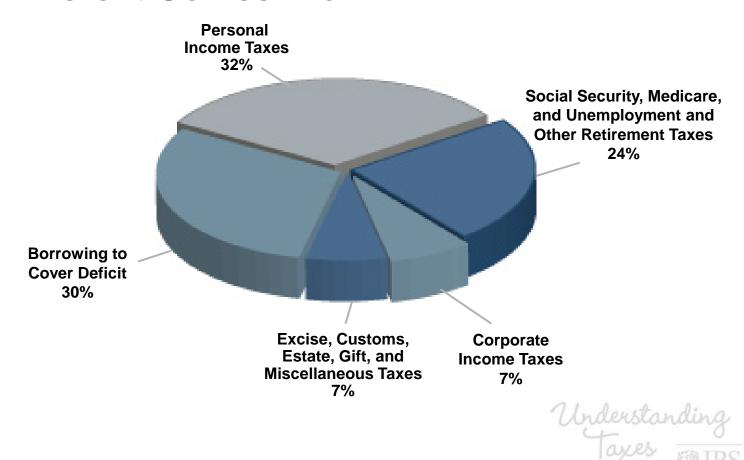




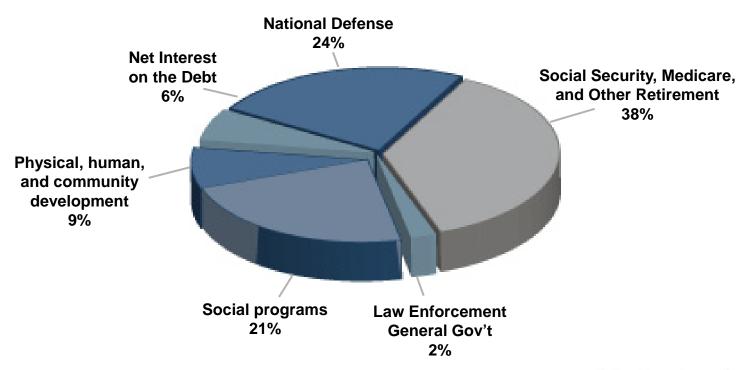


Understanding Taxes IRS

The Federal Government Dollar – Where It Comes From

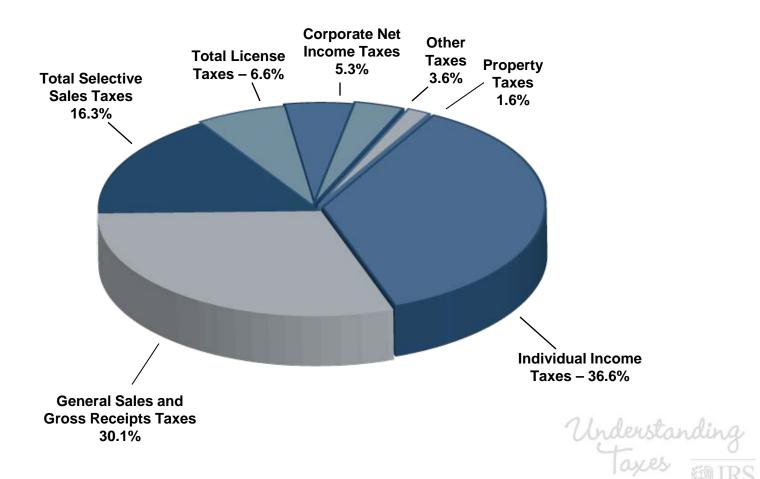


The Federal Government Dollar – Where It Goes

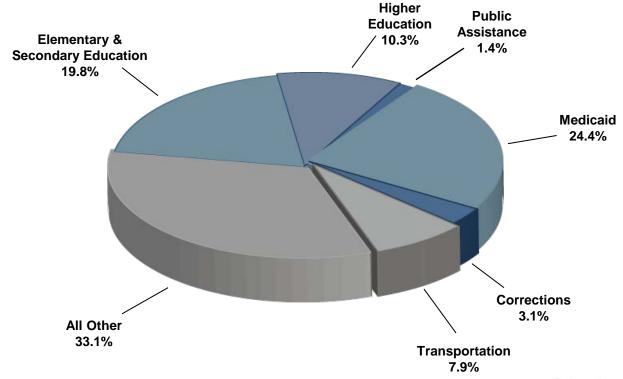




The State Dollar – Where It Comes From



The State Dollar – Where It Goes





Transaction Taxes



- Levied on economic transactions
- Set on percentages or physical quantities
- Support state and local services



State Income Taxes

- Come from earned and unearned income
- Levied on individuals and corporations
- Support state expenses, education programs, and welfare







Understanding Taxes IRS

Property Taxes

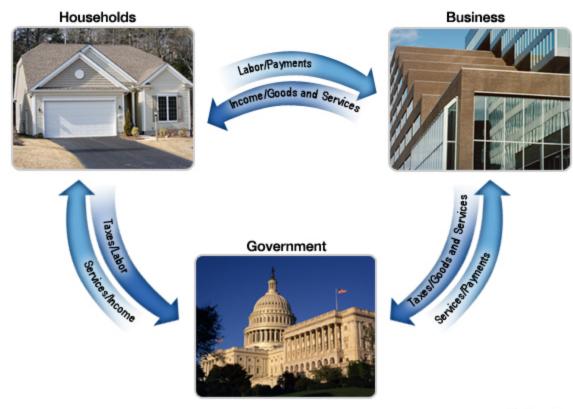


- Levied on property, especially real estate
- Can also be levied on boats, RVs, business inventories
- Fund schools, local services, welfare programs





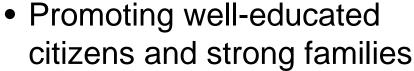
Market Economy



Understanding Taxes IRS

Conflicting Goals of Taxation

- Fairness
- Productivity
- Economic prosperity



Limiting government burden







Taxes and Equity



- Horizontal Equity: "Equals should be taxed equally."
- Vertical Equity: "Unequals should be taxed unequally."



Factors Affecting Tax Liability

- Deductions: Expenses that can be deducted before determining taxable income
- Tax Credits: Amounts that can be deducted from taxes owed
- Tax Exemptions: A part of income on which no tax is imposed







Understanding Taxes IRS



Payroll Taxes

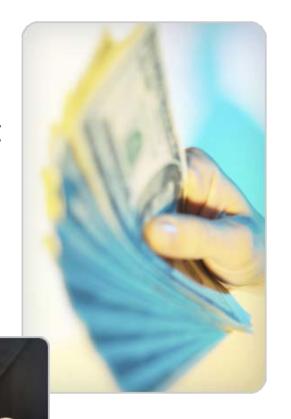
EARNINGS	HOURS	AMOUNT	DEDUCTION	CURRENT	YEAR TO DATE
Regular Overtime Total	70.00 14.75 84.75	846.16 267.57 1,113.73	FICA Tax Medicare Tax Federal Tax NY State Tax NY City Tax Disability LTD	69.06 16.15 116.17 52.40 27.05 1.20 1.00	494.17 115.58 880.89 347.98 183.34 9.60
Year to Date Gross		\$7,970.53	Total	\$283.03	
			Net Pay	\$830.70	



Direct and Indirect Taxes

Direct Tax:

- Tax paid directly to the government
- Cannot be shifted to another
- Includes personal income tax or property tax on a residence



Understanding Taxes IRS

Direct and Indirect Taxes

Indirect Tax:

- Can be shifted by a person or business
- Can be recovered by charging higher prices or paying lower wages



 Sales tax, business property tax, and payroll tax can be shifted

